

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7113

BILL NUMBER: HB 1336

DATE PREPARED: Jan 3, 2001

BILL AMENDED:

SUBJECT: Charity gaming license renewals.

FISCAL ANALYST: Jim Landers

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides that the fee for renewing a Charity Gaming License must be based on the qualified organization's total net revenue. The bill defines "total net revenue" as the gross revenue from charity gaming events minus the sum of (1) the expenses incurred in conducting charity gaming events; and (2) the amount of revenue from charity gaming events that the qualified organization is required by law to donate to another qualified organization. (Under current law, the license fee is based on the qualified organization's total gross revenue.)

Effective Date: January 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues: The bill would change the basis for computing the Charity Gaming License fee for licenses issued to organizations conducting charity gaming events to the gross income earned from charity gaming events less the combined total of expenses incurred conducting the events and donations to other organizations from the gross income. Currently, the license fee is based only on the gross income earned by the organization from charity gaming events. This would decrease substantially the monetary base upon which the fee for the license is computed. As a result, license fee revenue would decline by an estimated \$3.87 M in FY 2002 and FY 2003.

It is important to note that revenue from the Charity Gaming License fees on organizations, along with other charity gaming revenue, is distributed first to the Charity Gaming Enforcement Fund to be utilized by the State Department of Revenue in administering the charity gaming laws. Any revenue remaining in this fund after the cost of administration is subtracted is distributed to the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund. The Charity Gaming Enforcement Fund also contains revenue from Charity Gaming License fees imposed on distributors and manufacturers of charity gaming devices, the Charity Gaming Excise Tax, and penalties relating to violations of the charity gaming laws. Charity gaming

revenues to the fund totaled approximately \$6.03 M in FY 2000, with approximately \$4.16 M resulting from Charity Gaming License fees on organizations. According to the 2000 Charity Gaming Annual Report, \$4 M in charity gaming revenue was distributed to the LGSA in FY 2000.

Charity Gaming License: Under current law, a bona fide civic, educational, political, religious, senior citizens, or veterans organization may hold a charity gaming license to conduct charity gaming events (bingo, charity game nights, door prize events, festivals, selling of pull tabs, and raffles). Separate licenses are issued for each type of charity gaming event.

In FY 2000, there were 2,120 licenses granted by the Department of State Revenue for charity gaming events producing approximately \$585.5 M in gross income. Revenue from Charity Gaming License fees totaled approximately \$4.16 M in FY 2000. Licensed organizations incurred approximately \$515.29 M in expenses conducting charity gaming events during FY 2000. In addition, the organizations conducting the charity gaming events donated approximately \$11.82 M of their net income from the events to other bona fide civic, educational, political, religious, senior citizens, or veterans organizations. (Current law provides that any organization conducting charity gaming events that receives 90% or more of its total gross receipts from the events must donate 60% of its net income from charity gaming to other bona fide civic, educational, political, religious, senior citizens, or veterans organizations not conducting charity gaming events.) As a result, net income after donations totaled approximately \$58.39 M in FY 2000.

Estimated Revenue Loss: Based on FY 2000 charity gaming data, the basis for computing the license fee proposed in the bill would produce an estimated \$291,000 in revenue - roughly a 93% decline in revenue. Consequently, the bill would reduce revenue from Charity Gaming Licenses by an estimated \$3.87 M per year. This estimate is based on the number of licenses issued during FY 2000 for each category of charity gaming license (bingo, charity game nights, door prize events, festivals, selling of pull tabs, and raffles) and the total net income after donations for organizations within each of these categories. This data was utilized to estimate the average net income after donations for each license category and, ultimately, to compute an average license fee for each category based on net income after donations.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Local Governments receiving funds from the Lottery and Gaming Surplus Fund.

Information Sources: Department of State Revenue, October 1, 2000 Charity Gaming Report.